CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

1942 ANNUAL REPORT

PEPSI-COLA COMPANY

Pepsi-Cola Service Centers for Men and Women

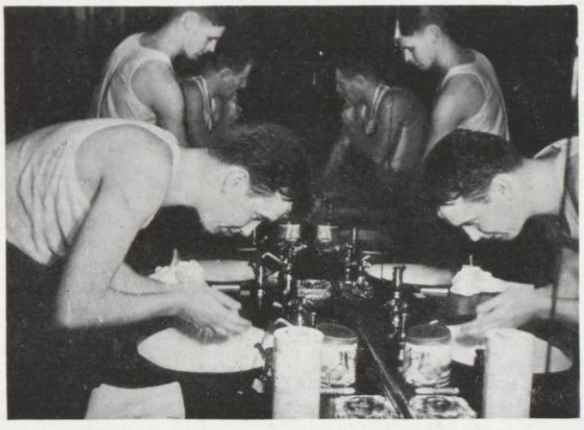
The Times Square Service Men's Center in New York City, built and maintained by Pepsi-Cola Company, dominates the scene at the "crossroads of the world."

Showers, shaving and dressing facilities are provided free at all Pepsi-Cola Service Men's Centers.

Exterior view of the Pepsi-Cola Service Center at the corner of Mason and Market Streets, San Francisco, California.

of the Armed Forces of the United Nations

The Canteen is an important place in all of our Service Men's Centers.

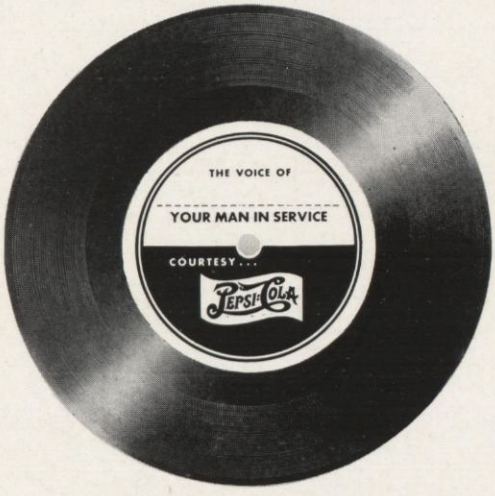


Spic-and-span washrooms with free razor blades and towels, give the men a place to wash and shave in these Centers.

The Pepsi-Cola Center for Service Men occupies the entire building at the corner of 13th and "G" Streets in Washington, D. C.

Note: All of these Pepsi-Cola Service Men's Centers are operated in conjunction with the official hospitality committees of the cities where they are located and are staffed by their volunteer hostesses.

Some of Pepsi-Cola Company's Activities in connection with the War

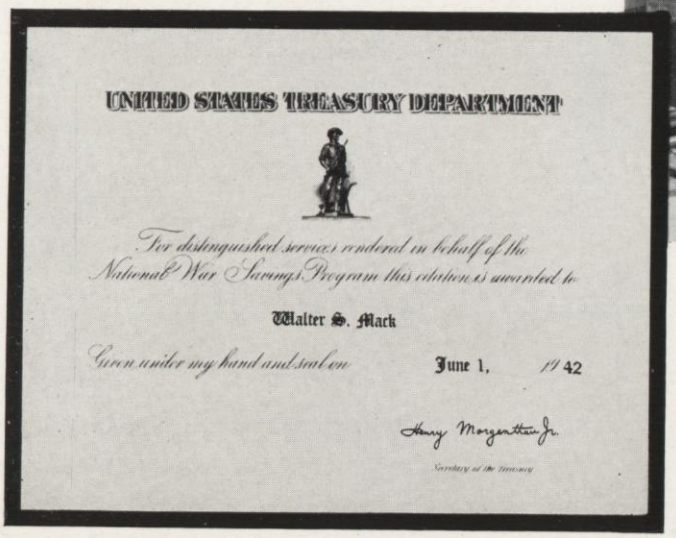


VOICE LETTERS

The Pepsi-Cola Company is providing voice recording machinery and operators for camps throughout the country so that the men in the Armed Services can send home a "Voice Letter" on a permanent record which their families and friends can play over during their absence.

BOXES FOR WAR GOODS

The Company is manufacturing wooden cases for the shipment of war materials to the front.



UNITED STATES TREASURY DEPARTMENT

For distinguished services rendered in behalf of the National War Savings Program this citation is awarded to

Walter S. Mack

Given under my hand and seal on June 1, 1942

Henry Morgenthau Jr.

Secretary of the Treasury

HELPING SELL WAR BONDS

Your Company, in cooperation with the Treasury Department, put on a radio War Bond contest, with the result that a certificate of award was presented to the Company by Henry Morgenthau, Jr.

THE 1942 ANNUAL REPORT

OF

THE PEPSI-COLA COMPANY

March 17, 1943

To the Stockholders:

The year 1942 was the first full year of operations since the United States entered the war. It was a year fraught with many obstacles which necessitated adjustments so as to comply with the various regulations and priorities necessary for a full war effort. In spite of these obstacles it was a year of further progress in the affairs of your company. It is interesting to note that notwithstanding the increased cost of living and rise in general food prices, Pepsi-Cola has in no way changed its price structure and the "big big" bottle still sells at 5¢ retail.

FINANCIAL REVIEW

There is presented herewith a review of the operations of your Company and Subsidiaries for the year 1942, together with a Consolidated Balance Sheet at December 31, 1942, and a summary of Consolidated Income and Earned Surplus for the year then ended, certified by Haskins & Sells, independent certified public accountants.

OPERATING NET PROFIT

The Consolidated Operating Net Profit, after all Charges and Expenses but before deductions of the United States and Canadian Income and Excess Profits Taxes for the year 1942, was $14,775,732 as compared with $14,908,224 for the year 1941, which shows in spite of the increased cost of materials and rationing, almost as much as the operating net profit of the previous year. Below you will find the continuation of the table of comparison which we have published in recent Annual Reports of the Operating Net Profit of the old Pepsi-Cola Company and its Subsidiaries for the year 1936 through 1940, and for the present Pepsi-Cola Company and its Subsidiaries for the years 1941 and 1942.

The table below is based on net profits after deducting all charges and expenses but before deduction of United States and Canadian Income and Excess Profit Taxes.

1936	$ 2,083,597.57
1937	3,224,625.72
1938	4,027,513.92
1939	5,952,602.39
1940	8,520,582.31
1941	14,908,224.10
1942	14,775,732.14

NET INCOME AFTER ALL TAXES

After providing for all taxes, including Income and Excess Profit Taxes in the United States, Canada and Cuba, figured on the basis of Excess Profits Tax base heretofore deemed applicable, the Net Income of the Company for the year 1942 was $6,274,775.76 or approximately $3.30 per share on the present outstanding Capital Stock. No proper comparison with the previous year is possible due to the fact that in the year 1941 certain non-recurring Loft losses (charged to reserves established in prior years) aggregating approximately $2,800,000 were deducted in that year before arriving at the taxable income. The company is making application for a constructive average base period net income, for excess profits tax purposes, under the provisions of Section 722 of the Internal Revenue Code (the so-called special relief section), adopted in the new Revenue Act of 1942. It is, of course, impossible at this time to appraise the probable results of this application. Accordingly, for the purpose of this report, the excess profits tax base and excess profits taxes for the year 1942 have been computed in accordance with the Revenue Act of 1942, but without regard to Section 722. The above figures do not include any profits from the Pepsi-Cola Company, Ltd., London, England, a wholly owned subsidiary. It is estimated that the English operation will show a profit for the year 1942 of around £22,000, or approximately $88,000, but inasmuch as there are restrictions on exchange and various war limitations on capital in England, no part of this profit has been included in this report.

SETTLEMENT OF TRADEMARK LITIGATION

On March 19, 1942, the Judicial Committee of the Privy Council, the Court of last resort of the British Empire, handed down a decision in favor of the Pepsi-Cola Company of Canada, Ltd., holding that the trademark "Pepsi-Cola" does not infringe the mark "Coca-Cola". This decision was of major importance. Thereafter an agreement was signed which disposed of all trademark litigation between your Company and the Coca-Cola Company, not only in the United States but throughout the world.

PENSION PLAN

In line with the policy of many large organizations, a pension plan to provide retirement payments for all Company employees, at the age of 65 for men and 60 for women, has just been inaugurated by the Board of Directors, subject to a ruling from the United States Treasury Department as to certain tax aspects of the plan. This plan should provide an added incentive for continuity of employment and strengthen the morale of the entire Pepsi-Cola organization.

The pension plan is being effected through one of the large insurance companies and will provide death benefits as well. It is estimated that the cost to the Company will be around $300,000 a year.

FRANCHISE BOTTLERS

The number of franchise bottlers in the United States on December 31, 1942, was 480 which compares with 469 as of December 31, 1941. The mere growth in number of franchise bottlers, however, does not reflect the progress which has been made by our bottlers during the year. In recent years the growth of the bottler's business was at a high rate of increase. Due to the war and the resulting rationing program, the operations of the franchise bottlers for the year 1942 were approximately the same as 1941. This breathing spell in the growth of their business has afforded the bottlers an opportunity to examine their operations more closely, work out methods of increased efficiency, and generally to improve and simplify the foundations of their business.

Your Company and its wholly owned subsidiaries have bottling plants in the following territories.

New York, N. Y.	Paris, Texas
Newark, N. J.	Muskogee, Okla.
New Brunswick, N. J.	Winnipeg, Canada
Philadelphia, Penn.	Ottawa, Canada
Pittsburgh, Penn.	Montreal, Canada
Boston, Mass.	London, England
Dallas, Texas	Havana, Cuba

PEPSI-COLA AND THE WAR

During the first year of the war there were many problems which had to be met and solutions found. The soft drink industry was limited with respect to two of its important materials and one important facility. Sugar was rationed, first at

80% of 1941 usage, and later in the year at 70% of 1941 usage. The metal for crowns was likewise limited and is now on the basis of 70% of 1941 usage. In both of the above cases, sugar and crowns for the Army and Navy Camps and Post Exchanges were in addition to the above figure. The use of transportation facilities, likewise, has been so consolidated that mileage, as well as tire and fuel consumption has been materially reduced in orderly fashion without interfering with the basic delivery system essential to a food industry. In this connection it should be noted that the official position of the Food and Drug Administration is that the composition of soft drinks warrants their designation as food from the nutritional standpoint.

In times of stress and strain during the war, the soft drink industry is filling an important place in the needs of both the Armed Forces and the Civilian Population in supplying them with a readily available and reasonably priced beverage, not only in the Canteens and Defense Plants, but also in their homes. The soft drink industry and your Company in particular, has been doing everything within its power to cooperate with the Administration and the War effort.

PEPSI-COLA CENTERS—FOR THE SERVICE MEN

The Company has established three large Centers for men in the Armed Forces of the United Nations where the enlisted men can check their luggage, receive information, have a free shave and shower, facilities for writing home, games, magazines, piano, radio, as well as a Canteen where they can buy food at a very low price and where Pepsi-Cola is served free of charge.

The first Canteen was established in the middle of 1942 at the crossroads of Broadway and 7th Avenue on the upper part of Times Square at 47th Street, New York City. A picture of this Canteen, with the large Pepsi-Cola display sign, is shown in the front part of this Report. It is estimated that at the present rate of attendance, approximately 2,000,000 enlisted men will use this one Canteen during the course of a year.

The second Canteen was opened later in 1942, at the corner of 13th and G Streets in Washington, D. C. and a picture of this Center which occupies the entire building is also set forth in the Report. At the present rate, approximately 1,500,000 men will use the facilities of this building alone during the course of the year.

The third Canteen, a large building at the corner of Mason and Market Streets in San Francisco, was opened on March 5th. A picture of this building is also exhibited in front of this Report.

MANUFACTURE OF SHIPPING CASES FOR WAR MATERIALS

The Company has a number of contracts for manufacturing in the box department at the East River Plant, Long Island City, boxes of various sizes for the shipment of war materials including airplane parts to the Armed Forces abroad, and it is running this equipment day and night to get the maximum out of its facilities for the war.

VOICE LETTERS

The Company has established in many Camps and Hospitals throughout this country, voice recording equipment and an organization to give the men of the Armed Forces an opportunity to send home voice letters on a phonograph record as a gift of the Pepsi-Cola Company. We have received many gratifying expressions not only from the enlisted men but from their parents and friends throughout the country on receiving a permanent record of their soldier's or sailor's voice which they can play during the men's absence at the front.

RATIONING

CROWNS:

Metal for the manufacture of new crowns has been rationed since early in 1942, the present rationing rate being 70% of the crowns used in 1941. In addition to the metal thus authorized for use, the industry is also permitted to manufacture crowns from used #10 tin cans and to reform crowns already previously used. Our bottlers are therefore, collecting and reconditioning previously used crowns. Under our present process the crowns are first sterilized, cleaned and given a protective black finish, then reshaped, after which new cork discs are inserted.

SUGAR:

As previously stated sugar was also rationed generally at around 70% of 1941 usage. Many of our franchise bottlers have advised us that they have, of their own volition, curtailed the bottling of some miscellaneous flavor beverages containing sugar, and other products which they formerly manufactured, and are utilizing this sugar in the bottling of additional Pepsi-Cola. By this method and with the additional business which is quota-exempt from Army and Navy Camps and Post Exchanges, they have been able to keep their Pepsi-Cola volume at a somewhat higher level than otherwise would be possible.

MOVING FORWARD

FOUNTAIN SYRUP:

Your Company has decided to start the development of the sale of Pepsi-Cola at the soda fountains throughout the United States. With this in view, a Fountain Department has been organized and the fountain drink has already been introduced in a number of franchised territories. The fountain drink is of 10 ounce size, with the syrup poured out of a special Pepsi-Cola fountain syrup bottle into an especially designed Pepsi-Cola glass and served for 5¢. This enables the consumers to see fresh Pepsi-Cola mixed right before their eyes. This fountain operation does not require metal crowns.

The sale of fountain syrup is being handled entirely through our franchise bottlers and will be sold and distributed by them in their territories in a manner similar to the method they use for the bottled drink. I am glad to report that in the territories already opened the fountain operations are developing satisfactorily and it is hoped that the year 1943 will see the growth of this fountain business well on its way in the United States.

MEXICAN-AMERICAN FLAVORS COMPANY, S.A.

The Company has organized under the laws of Mexico, a wholly owned subsidiary known as Mexican-American Flavors Company, S.A. with offices in Monterrey, Mexico, which subsidiary has a sizable contract with Union Nacional de Productores de Azucar, S.A. (the Association of Sugar Producers of Mexico operating under supervision of the Mexican Government). Pursuant to this contract this subsidiary has arranged to purchase Mexican refined sugar in Mexico each year for the next three years upon the condition imposed by the Mexican Government that this sugar will be used in manufacturing in Mexico, a beverage syrup which can be exported to any place in the world. Deliveries of sugar have already been made, and the syrup plant in Monterrey is now in operation.

SOUTH AND CENTRAL AMERICA

The Company is proceeding with its program of establishing franchise bottlers in South and Central America. Bottlers have been appointed in Mexico, Guatemala, Honduras, Salvador, Costa Rica, Panama, Peru, Venezuela, British Guiana and Dutch Guiana, and the Company's field men will continue to further develop South and Central America in the periods ahead. The Pepsi-Cola concen-

trate which is shipped for export is a sugarless concentrate, shipped in wooden drums so that neither the problem of crowns nor sugar rationing in this country plays an important part in this program.

While the growth of your Company during the war years may not be as rapid as the management would like due to the rationing of some of the raw materials for production, and other restrictions, these years should see the Company strengthening its position and preparing a comprehensive program to put into operation at the conclusion of the war.

Your Company will continue to do everything within its power to aid in the war effort and to provide the Armed Forces, not only in this country, but on the fighting fronts, with as much of its product as the Military Officials desire. The year 1943, therefore, should be a year of service and usefulness to the war effort, and to supplying the civilian population of this country with a low priced food product, at the same time maintaining its business and organization in readiness for the peace years ahead.

Respectfully submitted,

WALTER S. MACK, JR.,
President

PEPSI-COLA

(Incorporated

AND SUBSI

(Other Than The B

CONSOLIDATED BALANCE S

ASSETS

CURRENT ASSETS:			
Cash on hand and demand deposits		$5,467,218.84	
Notes and accounts receivable:			
Notes receivable	$ 101,299.90		
Accounts receivable:			
Customers	618,248.92		
Other	124,397.92		
Total	$ 843,946.74		
Less reserve for doubtful receivables	108,907.23	735,039.51	
Marketable securities—at cost (quoted market value, $135,020.00)		135,135.00	
Inventories—see Note 1:			
Finished and in-process	$ 836,496.44		
Raw materials and supplies	5,444,205.48	6,280,701.92	
Total current assets			$12,618,095.27
INVESTMENTS AND MISCELLANEOUS ASSETS:			
United States Treasury Notes—at cost:			
3/4%, due 1945 (deposited in escrow as collateral to contracts payable under lease settlements)		$ 80,974.93	
1%, due 1946 (deposited as collateral to commercial letter of credit—see Note 5)		995,859.38	
Investment in and advances to wholly-owned British subsidiary (less reserve) (see Note 2)		116,860.08	
Notes and accounts receivable—not current (less reserve of $6,350.00)		131,124.22	
Real estate mortgage receivable		394,000.00	
Post-war refund of United States and Canada excess profits tax (Estimated)		665,626.96	
Other		142,999.25	
Total investments and miscellaneous assets			2,527,444.82
PROPERTY, PLANT, AND EQUIPMENT:			
Land, buildings, equipment, leasehold improvements, etc.—at cost (less reserve for depreciation, $1,642,480.40)		$5,997,467.53	
Bottles and cases on hand and with trade (valued generally below cost at amounts determined by officials of the companies)		1,252,430.78	
Total property, plant, and equipment (net)			7,249,898.31
DEFERRED DEBIT ITEMS:			
Prepaid insurance and taxes		$ 396,507.34	
Advertising materials and expenses, etc.		278,046.38	
Other		79,050.75	
Total deferred debit items			753,604.47
TRADE-MARKS, FORMULAS AND GOODWILL (at nominal value)			1.00
TOTAL			$23,149,043.87

COMPANY

in Delaware)

DIARIES

ritish Subsidiary)

HEET, DECEMBER 31, 1942

LIABILITIES

CURRENT LIABILITIES:			
Accounts payable and accrued		$1,207,521.87	
Accrued taxes—estimated (see Note 3):			
United States and Canada income and excess profits taxes	$10,911,980.86		
Less United States Treasury tax notes	5,515,200.00	5,396,780.86	
Other taxes		596,686.30	
Portion of payments chargeable to general reserve estimated to be payable within one year (see below)		176,000.00	
Settlement and service contract payable		26,500.00	
Total current liabilities (exclusive of customers' deposits on bottles and cases as stated in next item below)			$ 7,403,489.03
CUSTOMERS' DEPOSITS ON BOTTLES AND CASES			662,161.33
DEFERRED LIABILITIES:			
Settlement and service contract payable, less portion payable within one year shown as a current liability		$ 159,000.00	
Contracts payable under lease settlements (U. S. Treasury notes deposited in escrow as collateral)		80,000.00	
Total deferred liabilities			239,000.00
GENERAL RESERVE (for contingent liabilities existing at July 31, 1939, for rentals on leases in excess of fair rental values as of that date, and for losses on settlement of such leases)—(less $176,000.00 estimated to be payable within one year shown as a current liability)—see Note 4			1,073,787.12
MINORITY INTEREST IN A SUBSIDIARY CONSOLIDATED (equity in capital stock $388,395.00, less portion of deficit $344,942.60)			43,452.40
CAPITAL STOCK AND SURPLUS:			
Capital stock—Authorized 2,500,000 shares of $1.00 each; issued and outstanding 1,898,570.2 shares (including 218.6 shares in treasury—see below)		$1,898,570.20	
Capital surplus		3,836,534.55	
Earned surplus (since August 1, 1939)		8,002,799.24	
Total		$13,737,903.99	
Less treasury stock (218.6 shares, at cost)		10,750.00	13,727,153.99

Notes 1 to 7 on the next pages following are an integral part of this balance sheet.

TOTAL	$23,149,043.87

PEPSI-COLA COMPANY AND SUBSIDIARIES

(Other Than The British Subsidiary)

NOTES TO CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1942

1. The inventories are stated on the basis of average cost which at December 31, 1942 was not in excess of market. In accordance with the accounting procedures followed by the companies, raw materials and supplies are charged to manufacturing and other expenses on the basis of average purchase cost (and cost of goods sold is computed on the basis of the average manufacturing costs) without recognition in the income account of any market declines since such declines are ordinarily without effect upon the stabilized sales prices of their products. Where any such market declines are of material amount, however, it is the practice to provide a reserve therefor out of surplus for the purpose of conservative treatment in the balance sheet.

2. Foreign subsidiaries:

   The current assets and liabilities and the total assets and liabilities of foreign subsidiaries included in the consolidated balance sheet at December 31, 1942 are as follows:

	Current		*Total*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
Canadian subsidiary	$1,439,134.83	$579,110.15	$2,071,020.20	$581,781.32
Cuban subsidiary	250,912.23	6,352.51	471,087.60	21,912.67
Mexican subsidiary	787,048.64	116,387.98	891,183.34	123,867.98

   The assets and liabilities of these subsidiaries are included in the consolidated balance sheet on the following basis: the current assets and liabilities of the Canadian subsidiary have been converted into United States dollars at the Canadian official rate of exchange, and those of the Cuban and Mexican subsidiaries at the current rate of exchange at December 31, 1942; their other assets and liabilities have been included at amounts which reflect their United States dollar equivalent at the time of acquisition or origin.

   The assets and liabilities of the British subsidiary have not been included in the consolidated balance sheet inasmuch as conditions prevailing in Europe make it impossible to estimate what the ultimate effect will be upon the property and business interests of this subsidiary. The investment in and advances to this subsidiary, $116,860.08 (after deducting the reserve), represent approximately the net equity in this subsidiary as of December 31, 1940. An increase in such net equity as a result of profits during 1941 and 1942 has not been reflected in the investment account for the same reason given above for not including this subsidiary in the consolidation.

3. The accrual of United States excess-profits tax has been made on a basis deemed to be conservative for purposes of the financial statements at December 31, 1942, and may or may not prove to be excessive depending upon the ultimate determination of the appropriate excess-profits credits to which the companies are entitled in computing their excess-profits tax. In addition to other undetermined matters, it is the intention of the companies to apply for an increase in the excess-profits credits under the relief provisions of the 1942 Revenue Act, but

any possible relief in this connection has not been considered in computing the excess-profits tax liability.

4. In 1939 a general reserve in the amount of $3,000,000.00 was provided for known and unknown contingent liabilities existing at July 31, 1939, for rentals on leases in excess of the approximate fair rental values as of that date of the premises covered by such leases, and for losses on settlement of such leases. As of July 31, 1940, based upon a review of the then known contingent liabilities and leasehold commitments, the Board of Directors increased said general reserve by a transfer thereto of $1,489,831.90 from capital surplus. Charges to the reserve from August 1, 1939 to December 31, 1942 amounted to $3,240,044.78, as shown below:

August 1, 1939 to December 31, 1941	$2,622,622.95
Year 1942	617,421.83
Total	$3,240,044.78

It is estimated that approximately $176,000.00 of the balance of $1,249,787.12 remaining in the reserve at December 31, 1942 may be applied within one year subsequent thereto, and therefore partakes of the nature of a current liability and has been so classified in the balance sheet.

Known contingent liabilities as of December 31, 1942 against which this general reserve has been provided, include the following undetermined matters:

(a) The amount by which the rentals called for by leases in existence at July 31, 1939, or lump-payment settlements of certain such leases, will exceed the future income from subleases on the respective leased premises.

(b) An undetermined amount of attorneys' fees and expenses in connection with the matters referred to in this Note.

5. In addition to the contingent liabilities mentioned under Note 4, the Company had contingent liabilities at December 31, 1942 as follows:

(a) In connection with an irrevocable commercial letter of credit No. 11253 of The Marine Midland Trust Company, expiring July 15, 1945, for $2,000,000.00, in favor of Union Nacional de Productores de Azucar, S. A. de C. V., Mexico City, Mexico, covering the purchase of sugar. United States Treasury notes in the principal amount of $1,000,000.00 are deposited with The Marine Midland Trust Company as collateral under this letter of credit.

(b) In connection with various claims and litigations involving not in excess of $200,000.00. The Company admits no liability in connection with these claims and litigations and no provision for possible loss in connection therewith has been made in the accompanying statements.

6. At December 31, 1942, there was pending litigation on behalf of Happiness Candy Stores, Inc. (a consolidated subsidiary 74.107% owned by the Company) seeking recovery in connection with the sale in January 1937 by Happiness Candy Stores, Inc. of 97,210 shares of Loft Incorporated stock. A settlement was approved by the Supreme Court of New York County in February 1943 under which Happiness Candy Stores, Inc. is to receive the sum of $75,000.00 from which amount the Court awarded approximately $25,000.00 as fees to attorneys, referee, etc.

7. Pursuant to an agreement of settlement dated June 6, 1939 (as subsequently modified), between the Company and its attorneys in the suit against Charles G. Guth, et al., the Company holds options to purchase 28,282.65 shares of its capital stock during the sixty day period beginning July 7, 1943 at a price of 85% of a figure arrived at by multiplying by twelve the consolidated net earnings per share of the Company, its subsidiaries and affiliates, and any merged and consolidated company, determined in accordance with standard accounting practices consistently applied, after depreciation and taxes, exclusive of all war-profits taxes, as more fully described in the agreement of merger dated April 28, 1941, approved at a special meeting of the Stockholders held on May 29, 1941. The Company did not exercise similar options for 28,274.22 shares which expired on September 5, 1941, and for 28,274.22 shares which expired September 5, 1942.

PEPSI-COLA COMPANY AND SUBSIDIARIES

(Other Than The British Subsidiary)

SUMMARY OF CONSOLIDATED INCOME AND EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1942

Gross Profit on Sales		$26,303,074.59
Advertising, Selling, General and Administrative Expenses		11,669,020.33
Profit From Operations		$14,634,054.26
Other Income		181,285.74
Gross Income		$14,815,340.00
Income Charges		39,607.86
Net Income Before Deducting Provisions for Income Taxes		$14,775,732.14
Provisions for Income Taxes—Estimated:		
United States normal income and surtaxes	$2,314,900.00	
United States excess profits taxes ($6,392,500.00 less post-war refund of $639,250.00) (see Balance Sheet Note 3)	5,753,250.00	
Canada and Cuba income and excess profits taxes (less post-war refund of Canada excess profits tax of $25,283.88)	432,806.38	8,500,956.38
Net Income		$ 6,274,775.76
Earned Surplus, January 1, 1942		5,999,266.49
Total		$12,274,042.25
Dividends—$2.25 a share (paid as follows: May 15, 50 cents; August 6, 50 cents; October 15, 50 cents; December 18, 75 cents)		4,271,243.01
Earned Surplus, December 31, 1942		$ 8,002,799.24

Notes:

1. The net income of the Canadian, Cuban, and Mexican subsidiaries is included in the above consolidated net income and amounted to $346,622.18, $30,617.74, and $6,167.25, respectively. The British subsidiary, whose income amounted to approximately $88,000.00 for the year 1942, is not included in the consolidation.

   The income and expenses of the Canadian subsidiary have been converted into United States dollars at the official rate of exchange and those of the Cuban and Mexican subsidiaries at the average rate of exchange except as to the provision for depreciation which has been converted for all three companies at rates prevailing at time of acquisition of the related assets.

2. The provision for depreciation charged to manufacturing and other expense accounts for the year 1942 amounted to $521,289.03.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

PEPSI-COLA COMPANY:

We have examined the consolidated balance sheet of Pepsi-Cola Company and its subsidiaries (other than the British subsidiary) as of December 31, 1942 and the related summary of consolidated income and earned surplus for the year ended that date, have reviewed the accounting procedures of the companies (other than the Canadian subsidiary), and have examined or tested the accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control. As to the Canadian subsidiary, we have examined a report of chartered accountants, and the figures included in the accompanying statements with respect to this subsidiary are derived from such report. The total assets of this subsidiary amount to approximately 9% of the consolidated total, and its gross profit on sales and net income for the year were approximately 5% and 6%, respectively, of the consolidated totals. The accounts of the British subsidiary have been examined by us for the year 1942, but have not been included in the consolidated statements as explained in Note 2 to the consolidated balance sheet.

In our opinion, which as to the Canadian subsidiary is based upon the report of other accountants as above mentioned, the accompanying consolidated balance sheet and the related summary of consolidated income and earned surplus, with the footnotes thereon, fairly present the financial condition of the companies at December 31, 1942 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS.

New York,
March 15, 1943.

DIRECTORS

James W. Carkner	Walter S. Mack, Jr.
Walter W. Colpitts	Herman Shulman
Edward A. Le Roy, Jr.	Herbert M. Singer
Harral S. Tenney	Arthur T. Vanderbilt

OFFICERS

Walter S. Mack, Jr. ..... *President*

William B. Forsythe ..... *Vice-President*

Talbot O. Freeman ..... *Vice-President*

George M. O'Neil ..... *Vice-President*

J. Willard Pipes ..... *Vice-President*

Milward W. Martin ..... *Secretary*

Joseph A. Murphy ..... *Treasurer*

Thomas E. O'Callaghan ..... *Asst. Secretary*

Ruth W. Juergensen ..... *Asst. Secretary*

G. Edward Harwood ..... *Asst. Treasurer*

Walter W. Masters ..... *Asst. Treasurer*

AUDITORS

Haskins & Sells

Certified Public Accountants

TRANSFER AGENT

The Marine Midland Trust Company of New York

New York, N. Y.

REGISTRAR

The Chase National Bank of the City of New York

New York, N. Y.

GENERAL OFFICE

47-51 33rd Street, Long Island City, N. Y.

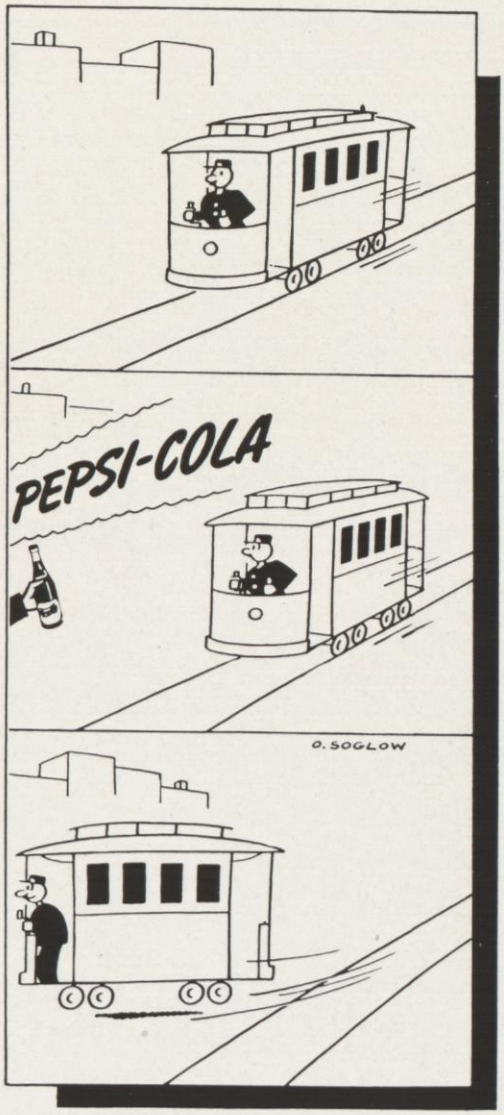
Samples of some 1942 Newspaper Advertising

Some of the newspaper advertisements introducing Pepsi-Cola at the soda fountains.

One of a series of Pepsi-Cola reminder ads which appeared in all newspapers.

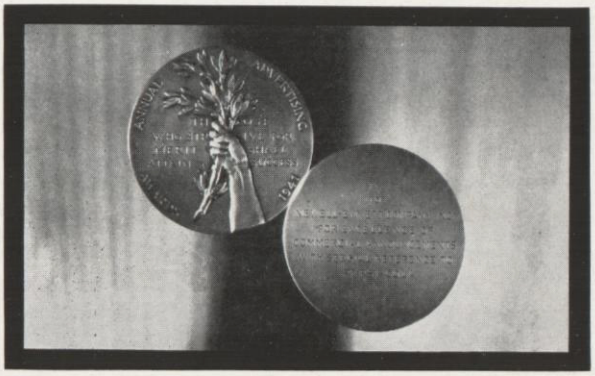
These two ads are part of a series which appeared in 45 popular magazines.

Typical Magazine Advertising in 1942



Readership tests show that these Pepsi-Cola cartoon ads are extremely popular and well-known.

One of a series of 1942 Pepsi-Cola full-page advertising cartoons.



Pepsi-Cola radio spots won this coveted prize for the Company in the Annual Advertising Awards.

One of a series of ads, featuring screen and stage celebrities, which appeared in movie magazines and similar publications.

Executives in charge of Production

George M. O'Neil
Vice-President
in Charge of Purchasing

J. Willard Pipes
Vice-President
in Charge of Production

Talbot O. Freeman
Vice-President
in Charge of Franchises

Walter S. Mack, Jr.
President
and General Manager

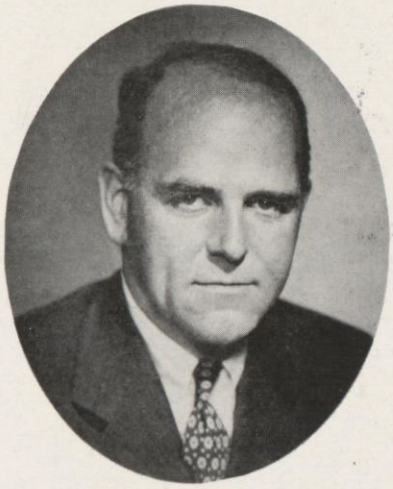
William B. Forsythe
Vice-President
in Charge of Exports

Joseph A. Murphy
Treasurer

Milward W. Martin
Secretary
and Head of Law Department

and Merchandising of Pepsi-Cola

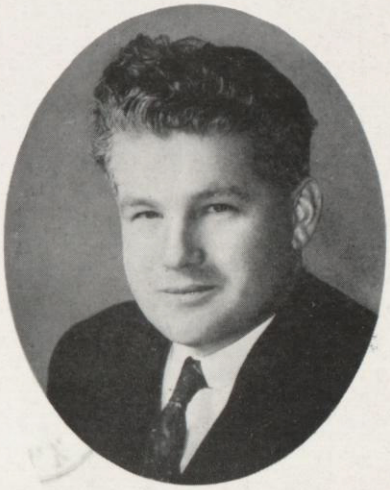
G. Edward Harwood
Assistant Treasurer



Thomas E. O'Callaghan
Assistant Secretary

John P. Clarkin
Sales Manager

Ruth W. Juergensen
Assistant Secretary and Personnel Director



Richard J. Ritchie
Chief Chemist

Albert J. Goetz
Advertising Manager

A. B. Hoppe
Manager
Fountain Department

ONE OF THE NEW PEPSI-COLA POSTERS

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

PEPSI-COLA COMPANY

Notice of Annual Meeting of Stockholders to be held April 28, 1943

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of PEPSI-COLA COMPANY, a Delaware corporation, will be held at the office of the Company, No. 100 West 10th Street, Wilmington, Delaware, on Wednesday, April 28, 1943 at 2 o'clock in the afternoon, Eastern War Time, for the following purposes:

(1) The election of eight directors, each to hold office until the annual meeting of stockholders next succeeding his election and until his successor shall have been duly elected and shall have qualified, or as otherwise provided in the By-Laws of the Company; and

(2) The transaction of such other business as may lawfully come before the Meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed March 17, 1943 as the record date for the determination of the stockholders entitled to notice of and to vote at said Meeting, and, accordingly, only stockholders of record at the close of business on that date will be entitled to notice of and to vote at said Meeting.

If you are unable to be present at the Meeting, you are requested to sign and return to the Secretary the enclosed form of Proxy. No postage is required if mailed in the United States.

By order of the Board of Directors,

MILWARD W. MARTIN,
Secretary.

Dated, March 17, 1943.

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

PEPSI-COLA COMPANY

PROXY STATEMENT
for
Annual Meeting of Stockholders
Noticed to be Held April 28, 1943

This statement is furnished in connection with the solicitation by the Management of proxies to be used at the Annual Meeting of Stockholders of Pepsi-Cola Company (hereinafter called the Company) noticed to be held at the office of the Company, No. 100 West 10th Street, Wilmington, Delaware, on Wednesday, April 28, 1943, at two o'clock in the afternoon.

An Annual Report to security holders, including financial statements, is being furnished concurrently with this Statement.

If a proxy in the form which accompanies this Statement is executed and returned, the person giving the proxy may nevertheless revoke it at any time prior to the voting thereof.

There are issued and outstanding (after deducting 218.6 shares held in the treasury) 1,898,351.6 shares of the capital stock of the Company. Each share of the Company's stock is entitled to one vote.

Election of Directors

The By-Laws of the Company provide for a Board of eight Directors, each to hold office from the time of his election and qualification until his successor shall have been elected and shall qualify, or until his earlier death, resignation or removal. One of the purposes of said Meeting is to elect the eight Directors for the ensuing year.

It is the intention of the persons named in the accompanying form of proxy to vote such proxy for the election of Messrs. James W. Carkner, Walter W. Colpitts, Edward A. LeRoy, Jr., Walter S. Mack, Jr., Herman Shulman, Herbert M. Singer, Harral S. Tenney and Arthur T. Vanderbilt, who constitute the present directors of the Company. Should any of these nominees for the office of director become unable to accept nomination or election, it is the intention of the persons named in the accompanying form of proxy to vote for the election of such other person for such office as the Management may recommend in the place of such nominee.

Information Regarding the Directors:

The following information is furnished with respect to the candidates for election as Directors, who constitute all of the present Directors of the Company :—

Name	*Principal Occupation*	*Year in which first became Director**	*Shares of Company's Stock Beneficially Owned as of March 1, 1943*
James W. Carkner	Real Estate Business	1930	6,006
Walter W. Colpitts	Partner, Coverdale & Colpitts, Consulting Engineers	1936	4,000
Edward A. LeRoy, Jr.	Treasurer, Phoenix Securities Corporation	1936	100
Walter S. Mack, Jr.	President of Company	1936	None
Herman Shulman	Partner, Hays, Podell & Shulman Attorneys	1941	10,026.28
Herbert M. Singer	Partner, Levien, Singer & Neuburger Attorneys	1941	32,057
Harral S. Tenney	Vice-President, The Marine Midland Trust Company of New York	1941	126
Arthur T. Vanderbilt	Attorney	1941	None

* NOTE: Certain of the Directors became directors of old Pepsi-Cola Company (incorporated August 10, 1931 and merged into the Company under its corporate name of "Loft Incorporated" on June 30, 1941) in years other than here indicated.

Remuneration of All Directors, and of Officers, Employees and Others Receiving Over $20,000 in 1942:

(I) The following information is furnished with regard to the remuneration in 1942 of all Directors and of all Officers who received from the Company and its subsidiaries payments of remuneration totalling more than $20,000 during the year 1942:

Name	*Position*	*Aggregate amount of Remuneration in 1942, directly or indirectly, from Company and subsidiaries*	*If Remuneration in 1942 exceeded $20,000, amount by which 1942 payments exceeded 1941 payments*
James W. Carkner	Director and Advisory Services	$31,000	$ 1,650
Walter W. Colpitts	Director	4,500	
Edward A. LeRoy, Jr.	Director	4,500	
Walter S. Mack, Jr.	President and Director	98,667	7,617
Herman Shulman	Director(1)	4,500	
Herbert M. Singer	Director(1)	3,900	
Harral S. Tenney	Director	4,500	
Arthur T. Vanderbilt	Attorney and Director(2)	77,975	11,075
Geo. M. O'Neil	Vice-President	26,625	4,458
Don G. Mitchell	Vice-President(3)	23,208	
Milward W. Martin	Secretary and Head of Law Department	22,775	2,608
J. Willard Pipes	Vice-President	20,812	2,646

(1) The Company (including its Canadian subsidiary) paid $258,688 to Hays, Podell & Shulman (of which firm Herman Shulman is a partner) and $10,750 to Levien, Singer & Neuburger (of which firm Herbert M. Singer is a partner. Said sums were paid to and shared by said two firms as compensation for legal services rendered by them.

Pursuant to agreement of settlement between the Company and Hays, Podell & Shulman covering remuneration for certain legal services performed and to be performed by the said two firms, there is to be paid a balance of $200,000 payable partly in 1943 and the remainder in 1944.

(2) Including payments by Pepsi-Cola Company of Canada, Limited, for legal services.

(3) Resigned October 31, 1942.

(II) The aggregate remuneration from the Company and its subsidiaries in 1942 to all directors and officers of the Company was $432,130.92. This exceeds the comparable figure for 1941 by $9,914.37.

(III) Other than the above officers, there was but one employee who received from the Company and its subsidiaries remuneration in excess of $20,000 in 1942. His total remuneration was $119,348.39 Canadian dollars, received from Pepsi-Cola Company of Canada, Limited.

(IV) The following were the persons, other than directors, officers and employees, whose aggregate remuneration from the Company and its subsidiaries in 1942 exceeded $20,000:

Name	*Capacity in Which Remuneration Received*	*Aggregate Remuneration in 1942**
Eisner & Lubin	Tax consultants	$ 37,500
Hays, Podell & Shulman	Legal Services(a)(b)	258,688
Charles G. Guth	As per contract(c)	99,999
William H. Hoodless	Sugar Advisory Services	35,000
Milton Handler	Legal Services(a)	41,467
V. O. & G. H. Robertson	Territorial Representatives	590,189
Joseph LaPides	Territorial Representative	451,327
C. L. Jones	Territorial Representative	63,162
Prew Savoy	Legal Services	60,000
Pepsi-Cola Bottling Co. of Los Angeles	Special Selling Commissions	31,752
Harry Skipsey	Sugar Advisory Services	44,000
Parker, Garrett & Co. (London)	Legal Services(a)	33,765 (Canadian Dollars)
Herridge, Gowling, McTavish & Watt (Ottawa)	Legal Services(a)	$ 65,400 (Canadian Dollars)

(a) Includes payments by Pepsi-Cola Company of Canada, Limited.

(b) See foot-note (1) above.

(c) Payments made pursuant to agreement with Charles G. Guth entered into July 1, 1939 at the time of the settlement of the action in the Court of Chancery, State of Delaware, entitled *"Loft Incorporated* v. *Charles G. Guth, et al."*

* NOTE:—It is impractical to give these figures on an accrual basis. The amounts here shown are the moneys actually disbursed in 1942 (non-accrual basis) and represent remuneration for certain services performed during 1942 and prior thereto.

Interest of Director in Transaction to Which Company Was a Party:

The Marine Midland Trust Company of New York in 1942 issued commercial letters of credit for account of the Company and its wholly owned subsidiary Mexican-American Flavors Company, S. A., in connection with sugar purchases in Mexico. Mr. Tenney is Vice-President of The Marine Midland Trust Company of New York.

Phoenix Securities Corporation's Holdings of Company's Stock:

Phoenix Securities Corporation has advised the Company that as of March 1, 1943 it owned beneficially 482,900 shares of stock of the Company or approximately 25.43% of the shares presently outstanding. Mr. Walter W. Colpitts, Mr. Walter S. Mack, Jr. and Mr. Edward A. LeRoy, Jr., three of the above named nominees, are directors of Phoenix Securities Corporation, and Messrs. Mack and LeRoy are President and Treasurer, respectively, of said corporation.

The Company is advised that as of March 1, 1943, Mr. Wallace Groves owned beneficially approximately 32.9% of the total voting stock of Phoenix Securities Corporation.

Voting for Election of Director Pursuant to Arrangement:

Pursuant to the agreement of settlement between the Company (under its then corporate name of "Loft Incorporated") and the attorneys (David L. Podell; Hays, Podell & Shulman; Southerland, Berl, Potter & Leahy; and Levien, Singer & Neuburger) who represented it in the action in the Court of Chancery of the State of Delaware, entitled *Loft Incorporated* v. *Charles G. Guth, et al.*, as approved and modified by said Court on July 7, 1939, after notice to the stockholders of the Company, said attorneys received shares of stock of old Pepsi-Cola Company (incorporated August 10, 1931) which were convertible upon the "Loft-Pepsi-Cola" merger in 1941 into approximately 270,291 shares of stock of the Company. In connection with the merger Phoenix Securities Corporation (the owner, prior to the merger, of approximately 33.04% of the publicly held stock of the Company) entered into an agreement, dated April 28, 1941, with said attorneys pursuant to which Phoenix Securities Corporation agreed that all stock of the Company owned by it will be voted in favor of the election of one designee of said attorneys to the office of director of the Company at all elections of directors subsequent to the year 1941, such agreement to be binding upon any person purchasing such stock from Phoenix Securities Corporation for investment and to be operative so long as Phoenix Securities Corporation or such purchaser, as the case may be, shall own at least 30,000 shares of stock of the Company and said attorneys and their families shall own or control in the aggregate at least 105,375 shares of stock of the Company. Phoenix Securities Corporation has advised the Company that as of March 1, 1943 it owned beneficially 482,900 shares of stock of the Company or approximately 25.43% of the shares presently outstanding; and said attorneys (who include the firms of which Mr. Herman Shulman and Mr. Herbert M. Singer, two of the above named nominees, are partners) have advised the Company that they and their families still own or control in excess of 105,375 shares of stock of the Company (exact number of shares not known to the Management), so that said agreement is operative. Mr. Herman Shulman is the designee of said attorneys for election to the office of director of the Company at said Meeting.

Other Matters:

The only business now known by the Management that will be presented for action at said Meeting of Stockholders is the election of directors. However, if any other matters, not now known come before the Meeting, the persons named in the accompanying form of proxy (or their substitutes) will vote said proxy in accordance with their judgment on such matters.

Costs and Methods of Solicitation:

The cost of preparing, assembling and mailing this Statement and the accompanying notice of meeting and form of proxy, and any additional material relating to the meeting which may be furnished to stockholders subsequent to the furnishing of this Statement, has been or is to be borne by the Company.

In addition to the solicitation of proxies by use of the mails, the Company may utilize a few of its officers and regular employees (who will receive no compensation therefor in addition to their regular salaries) to solicit proxies personally and by telephone or telegraph from brokerage houses and stockholders. The number of solicitors so to be utilized is not expected to exceed twelve. The Company may also engage the services of others to solicit proxies personally or by telephone or telegraph, but has no present arrangements or plan for so doing. The cost of all such additional solicitations made otherwise than by use of the mails (which cost, exclusive of such regular salaries of officers and employees, is estimated not to exceed $2,500) is to be borne by the Company.

MILWARD W. MARTIN,
Secretary.

Dated, March 17, 1943.